

CHAPTER 8:
CHS ECONOMICS
REVIEW

Explicit Costs

Implicit Costs



IMPLICIT AND EXPLICIT COSTS

Marvin the Martin opens an ACME branch on Mars. He takes \$100 Marshian bucks out of bank that he was making 5% interest on. He rents out a place at the space mall for \$400/mth and spends \$1000 on suplies and materials for his store. His ACME store makes \$6000 this year. His Entrepreneurial talents are valued at \$500 a year and he could have instead been paid a salary of \$4000 to search and hunt Earth Rabbits.

Circle in **Red** all of the Explicit Costs

Circle in **Green** all of the Implicit Costs



IMPLICIT AND EXPLICIT COSTS

Now let's calculate Marvin's Explicit Costs:

Total Explicit Costs:



IMPLICIT AND EXPLICIT COSTS

Now let's calculate Marvin's Implicit Costs:

Total Implicit Costs:



IMPLICIT AND EXPLICIT COSTS

Now let's calculate Marvin's Economic Costs:

Total Implicit Costs:

+

Total Explicit Costs:

Total Economic Cost:



IMPLICIT AND EXPLICIT COSTS

Now let's calculate Marvin's Economic Profit:

Total Revenue:

- (minus)

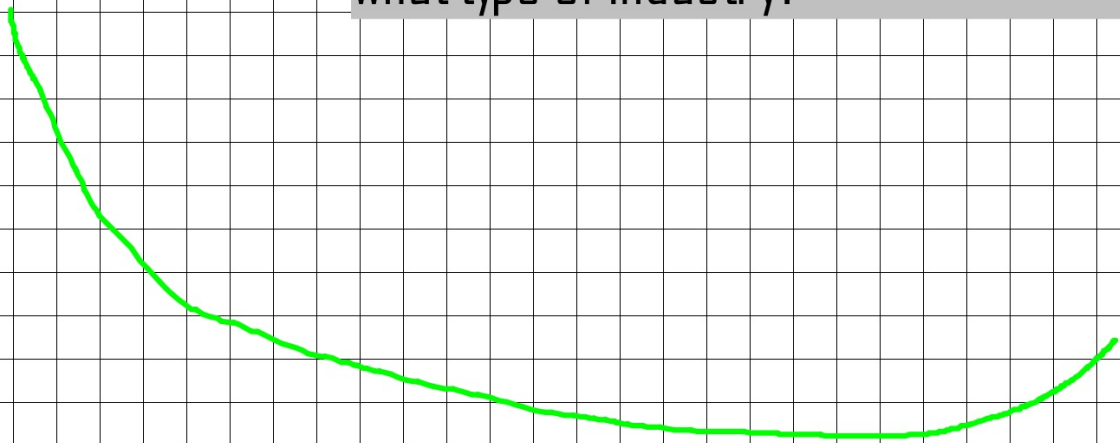
Total Economic Costs:

Total Economic Profit:



Mark the MES and give an example of what type of Industry?

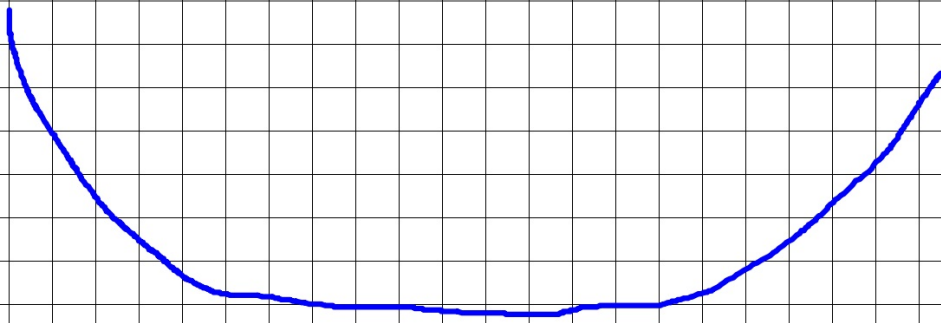
Long Run ATC



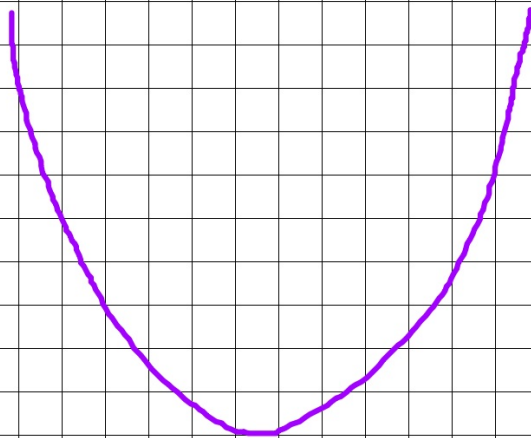
Mark the MES and give an example of what type of Industry?

Long Run ATC

Mark the economies of scale and diseconomies of scale



Mark the MES and give an example of what type of Industry?



Long Run ATC

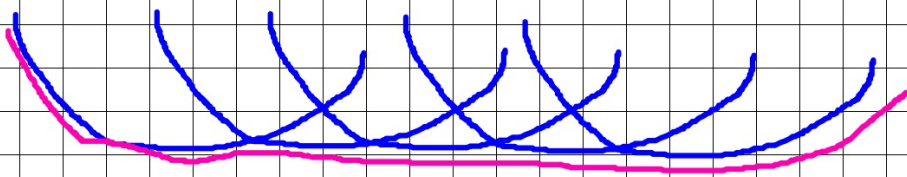
Mark the economies of scale and diseconomies of scale

Draw a 5 short runs and 1 Long Run Curve

Long Run ATC

Mark the economies of scale
and diseconomies of scale

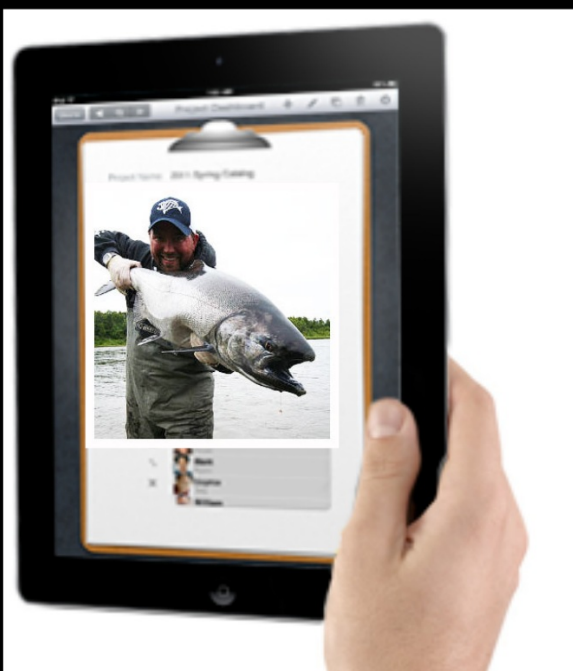
Draw a 5 short runs and 1 Long Run Curve



Long Run ATC

Mark the economies of scale
and diseconomies of scale

Apple is current producing 10 Ipads. It is spending \$1000 on fixed costs, \$500 on variable costs. At an output of 10 Ipads, what is Apple's current:



Total Cost: _____

Average Fixed Cost: _____

Average Variable Cost: _____

Average Total Cost: _____

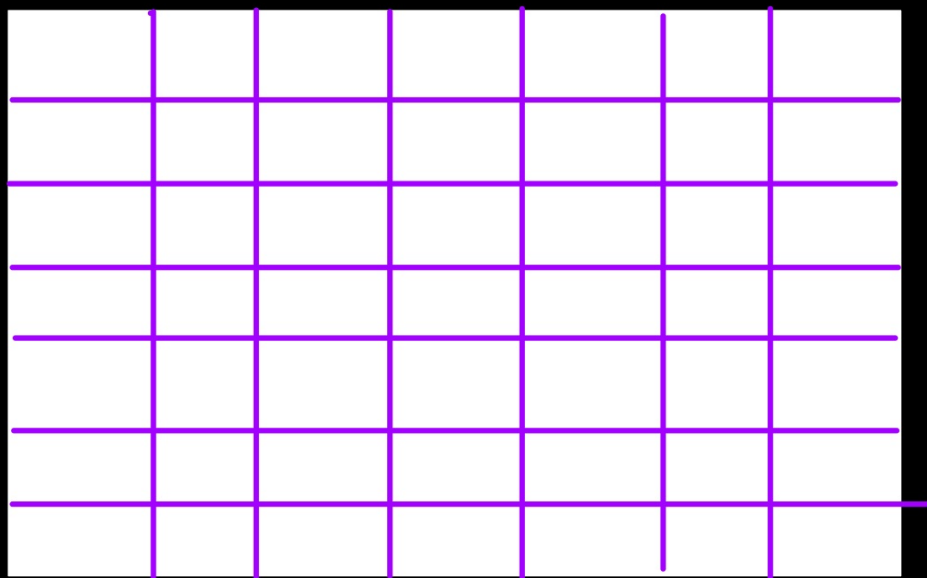
If the cost of producing 11 Ipads \$1750, what is the marginal cost of the 11 Ipad? _____



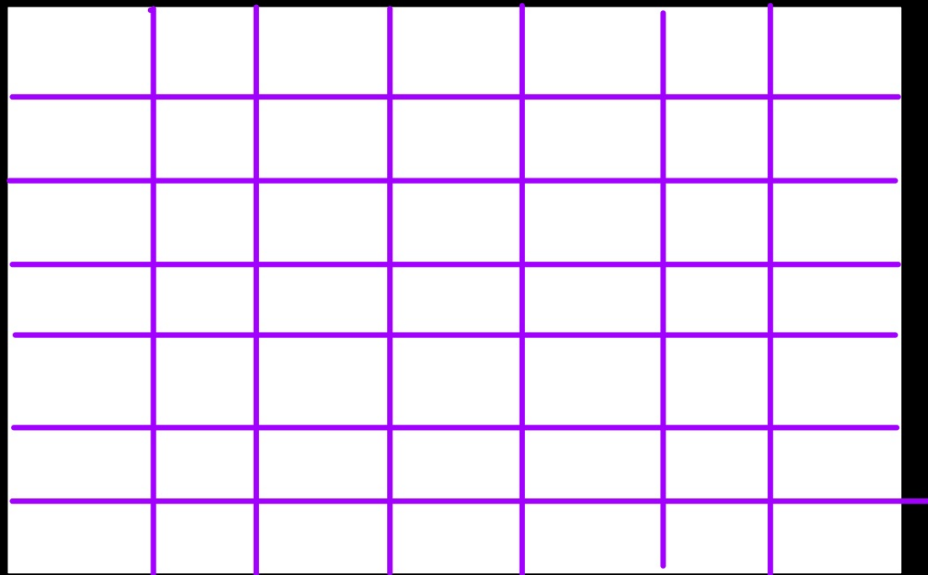
Is the ATC rising or falling:

Is the AVC rising or falling:

Completing the Charts



Completing the Charts



Completing the Charts

